

2006 Newsletter

City of Columbus
Income Tax Division

LITHOPOLIS TO LEAVE COLLECTION GROUP

As of December 31, 2006, the Columbus Income Tax Division will no longer administer the income tax for the Village of Lithopolis. The new collection agency administering their income tax is the Regional Income Tax Agency (R.I.T.A.). After December 31, 2006, RITA will be responsible for all Lithopolis income tax payments and filings for past and future tax years, including including fourth quarter 2006 withholding liabilities and 2006 W-2 wage reconciliations. Any questions concerning the administration of the Lithopolis income tax should be directed to RITA at (614) 538-0512 or visit their web site at www.ritaohio.com.

As a reminder, employers subject to city income tax levied by the City of Columbus or one of the municipalities which it administers, having employees domiciled in Lithopolis, are still required to withhold and remit the tax levied with the Columbus Income Tax Division in addition to the Lithopolis income tax withheld and remitted to RITA. For more information concerning the filing and payment of city income tax administered by this office you may visit our web site at www.columbustax.net.

LOCAL ADDRESS SEARCHES

In order to efficiently serve callers, this office will no longer conduct manual look-ups for more than ten (10) addresses. If you need to have more than ten (10) addresses searched to verify the local taxing jurisdiction, you must submit your request on-line via www.columbustax.net for file sizes less than 2MB. For file sizes greater than 2MB, please transfer the information to CD and mail to our office. Please include a blank CD to be updated and sent back to the person making the request.

NOTE: The City of Columbus, Income Tax Division does not verify information posted by on-line address finders or "theFinder" found at the State of Ohio web site, and is not responsible for filing errors caused by taxpayer reliance on those services.

E-MAIL WEB ALERTS

Periodically, e-mail web alerts will be sent to those taxpayers or preparers who have subscribed on our web site and have requested to be notified when important tax changes or information releases are made by the Division. Please see our website at www.columbustax.net for our Homepage Features to subscribe.

FILING FORMAT FOR W-2 DATA VIA MAGNETIC MEDIA

It is important for employers to realize that commencing with tax year 2004 there have been significant changes in the requirements for withholding local tax on employee wages. The Ohio General Assembly passed House Bill 95 in July of 2003, effective January 1, 2004, mandating that all Ohio municipalities assess payroll withholding taxes on "Qualifying Wages" as defined by Section 718.03 of the Ohio Revised Code. Please see our web site at www.columbustax.net for the details of the "Safe Harbor" rule for "Qualifying Wages" and for proper filing format using Magnetic media. For tax year 2006, only filings received on floppy diskette or CD-ROM will be accepted. **Filings on magnetic tapes will no longer be accepted by our office.** Please review our current year magnetic media requirements for proper compliance.

E-FILE/E-PAY FOR THE CITY OF COLUMBUS

The Division of Income Tax internet web site offers an application enabling taxpayers and preparers to electronically file and pay municipal income tax. It is possible for employers to file quarterly returns reporting tax withheld from employee wages and to remit related payments on-line via branded credit card or ACH debit transactions. Additionally, individuals and businesses may file extensions and declarations of estimated tax and make related payments on-line. At this time, the option to electronically file an annual business or individual tax return is not available. Please stay tuned for web alerts notifying you of the availability of ACH Credit as a payment option early next year.

YEAR 2007 MAILING ADDRESSES

Mailing addresses to be used in 2007 are as follows:

Withholding returns and payments (lockbox):

City Treasurer
PO Box 182489
Columbus OH 43218-2489

Individual and Business returns and payments (lockbox):

City Treasurer
PO Box 182158
Columbus OH 43218-2158

General and Certified Mail Correspondence (office address):

Columbus Income Tax Division
50 W Gay St 4th FL
Columbus OH 43215-9037

ANNUAL RETURN DUE DATES

This year April 15, 2007 falls on a Sunday. For all individual and business returns to be filed for tax year 2006 the due date is April 16, 2007, which is the first business day following April 15, 2007. Please see our web site www.columbustax.net for all other applicable return and payment due dates.

ARMED FORCES EXTENSION DEADLINE

The City of Columbus Income Tax Division has adopted the criteria followed by the Internal Revenue Service with regard to the extension of deadlines relating to the filing of returns, payment of taxes, and request for refund for those members of the Armed Forces serving in a combat zone or qualifying service outside a combat zone. Please see our website for details.

TAXATION OF IRS SECTION 1250 GAINS

In accordance with O.R.C. 718.01(A)(1)(g) if the taxpayer is not a C corporation, the taxpayer shall be treated as a C corporation when calculating "Adjusted Federal Taxable Income". Commencing with tax year 2004, a taxpayer that is not a C corporation may be subject to IRC Section 1250 gains recalculated under IRC Section 291 for a C corporation taxpayer.

CITY TAX RATES AND CONTACT INFORMATION ON THE WEB

The municipal tax rates as well as contact information for all cities, villages and special jurisdictions (JEDD, JEDZ) in Ohio may be found on our web site at: www.columbustax.net

YEAR 2007 INTEREST RATE

For 2007, the interest rate used by Columbus, Brice, Harrisburg and Marble Cliff is 8% per annum. The interest rate for Canal Winchester is 6% per annum. The annual rate used by Groveport and Obetz continues to be 18%.

TAXPAYER ASSISTANCE AND QUESTIONS

For taxpayer assistance or questions please use the following phone list:

Tax Forms	(614) 645-7370
Business Accounts	(614) 645-8328
Business Withholding	(614) 645-8368
Delinquent Collections	(614) 645-8152
Hotel/Motel Tax	(614) 645-7865
Individual Section	(614) 645-7646
New Accounts	(614) 645-0539
Local address searches	(614) 645-7405

CONSOLIDATED BUSINESS RETURNS

In accordance with Section 718.06 of the Ohio Revised Code each municipality is required to accept consolidated returns of an affiliated group of corporations. Under City of Columbus Code Section 361.22 only those corporations of an affiliated group with nexus are to be included within the calculation of net profits. Each of the corporations with a nexus shall file a separate Schedule Y allocation apportionment formula. The gains and losses from these apportionment formulas of corporations with nexus to file can then combine accordingly.

COLLECTION GROUP TAX RATES

Tax rates to be used for the tax year 2006 returns and tax year 2007 declarations and withholding returns for the cities and villages in our collection group are as follows:

Columbus	2%
Groveport	2%
Obetz	2%
Canal Winchester	2%
Marble Cliff	2%
Brice	1%
Harrisburg (UFR)	1%

UFR = Universal Filing Requirement

NOTE: *The Village of Lithopolis is no longer a member of the Columbus collection group.*

INDIVIDUAL RESIDENTS THAT ARE SHAREHOLDERS IN S-CORPORATIONS

Commencing with tax year 2003 individual Columbus residents with income from S-Corporations will no longer be taxed on their shareholder income due to residency. Also, the gains and losses from S-Corporations shall not be taken into consideration when calculating taxable income for resident and non-resident shareholders. For the City of Columbus, S-Corporations are taxed as entities on the net profits of the corporation before distributing any shares or dividends to shareholders.

ALLOCATION OF NET PROFITS ON BUSINESS INCOME

In accordance with Section 718.02 of the Ohio Revised Code a business or profession conducted within and without the boundaries of a municipal corporation is required to use the three part allocation apportionment formula when calculating net profits for municipal taxation. The use of separate books and records will no longer be accepted by the Division.

EXTENSION OF FILING DATES

Extensions of up to six months for filing forms IR-22, IR-25, and BR-25 may be granted on or before the original due date of the return being extended. Extensions of up to one month are permitted for filing Form IT-13 (Annual Reconciliation of Tax Withheld). The postmark date will be used to indicate compliance with this extension policy. Copies of federal extension forms or client extension lists from practitioners will be accepted. Practitioner's are encouraged to use our E-File/E-Pay system for filing of lists of those on extension. All extension requests must contain the taxpayer's name, address, EIN/SSN and the length of the extension period requested. Due dates for the filing of City tax forms IR-21 and BR-21 (Declaration of Estimated Tax) and IT-11 (Quarterly Return of Tax Withheld) may not be extended.

FISCAL YEAR RETURNS

Please file the City of Columbus fiscal year return to match the same tax year as filed with the Internal Revenue Service for all twelve month accounting periods, ending on the last day of a particular month (Example: Accounting period 7/1/05 to 6/30/06 should be filed as fiscal tax year 2005). This will help our Division designate return filings and payments to the proper tax year.

CITY TAX FORMS AND "PACKAGE X"

The Columbus Income Tax Division will accept authorized forms distributed by the Division, approved facsimiles of these forms, and approved generic forms. For a generic form to be accepted, it must provide all information required to be reported by the form distributed by the Division. Forms developed from pre-approved software packages will be accepted. Taxpayers and preparers are encouraged to use pre-encoded forms provided by the Division. Using the pre-encoded forms with the imaged data from our records does help in expediting the processing of the return whether it is a refund request or a cash payment being made to the Division. We acknowledge that some practitioners will use their supply of forms and cannot integrate the taxpayer's imaged forms with their software. Because of the availability of city tax forms on the internet, the blank city tax forms provided to practitioners in a format known as the City's Package X is no longer the best use of resources. The Columbus Income Tax Division will no longer mail a paper version of the Package X because of the aforementioned reasons. If a practitioner does not have access to the Internet or would still like to receive all of the tax forms in one package, the Division will mail a version of the Package X in CD format. This CD will include all city tax forms and form instructions. Request in writing for this CD should be submitted to:

ATTN: Forms CD
Columbus Income Tax Division
50 W Gay Street 4th Floor
Columbus OH 43215-9037

or your may submit requests by e-mail to:

tax@columbus.gov

COLUMBUS TAXATION OF CONTRIBUTIONS TO NON-QUALIFIED DEFERRAL PLANS

Prior to January 1, 2004 Columbus tax was not imposed upon employers' contributions to non-qualified deferred compensation plans (SERPs, etc.) at the time of contribution. Distributions from these plans were taxed in the year of distribution to the city where the income was originally earned. After January 1, 2004, Columbus tax will be imposed upon contributions to non-qualified plans at the time these contributions are included in "Qualifying Wages" as defined in Section 718.03 of the Ohio Revised Code. After that date, distribution from non-qualified plans will not be taxed.

INCOME TAX DIVISION

50 W. Gay Street, 4th Floor
Columbus, Ohio 43215-9037

CHANGE SERVICE REQUESTED

PRESORT STD.
U.S. POSTAGE PAID
COLUMBUS, OH
PERMIT NO. 126

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